

**BEFORE THE TENNESSEE REGULATORY AUTHORITY AT
NASHVILLE, TENNESSEE**

October 12, 2004

IN RE:

**PETITION OF KENTUCKY UTILITIES COMPANY FOR AN
ORDER AUTHORIZING THE ISSUANCE OF SECURITIES
AND THE ASSUMPTION OF OBLIGATIONS**

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**DOCKET NO.
04-00279**

ORDER APPROVING FINANCING TRANSACTIONS

This matter came before Director Deborah Taylor Tate, Director Sara Kyle and Director Ron Jones of the Tennessee Regulatory Authority (the "Authority" or "TRA"), the voting panel assigned to this docket, at the regularly scheduled Authority Conference held on September 27, 2004 for consideration of the *Petition* of Kentucky Utilities Company ("KUC") for an order, pursuant to Tenn. Code Ann. § 65-4-109, authorizing the issuance of securities and the assumption of obligations.

Statutory Framework

Tenn. Code Ann. § 65-4-109 provides:

No public utility shall issue any stocks, stock certificates, bonds, debentures, or other evidences of indebtedness payable in more than one (1) year from the date thereof, until it shall have first obtained authority from the [TRA] for such proposed issue. It shall be the duty of the [TRA] after hearing to approve any such proposed issue maturing more than one (1) year from the date thereof upon being satisfied that the proposed issue, sale and delivery is to be made in accordance with law and the purpose of such be approved by the [TRA].

Petition

KUC is an electric utility primarily serving customers in Kentucky, with only five customers in the state of Tennessee. In its *Petition*, filed with the TRA on September 3, 2004, KUC requested approval from the TRA to issue securities and assume obligations related to the proposed refinancing of KUC's outstanding bonds and debt obligations with Carroll County, Kentucky. KUC pursued the refinancing to take advantage of currently prevailing low interest rates, which would lower the cost of debt over the life of KUC's obligations. This reduction in debt cost would allow KUC to control and minimize interest costs to its customers.

The Kentucky Public Service Commission approved this financing transaction by an order dated September 8, 2004 in Case No. 2004-00305.

September 27, 2004 Authority Conference

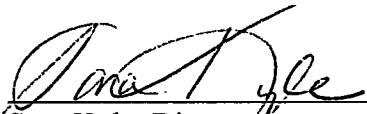
At the September 27, 2004 Authority Conference, the Directors voted unanimously to approve the *Petition* upon a finding that the proposed transaction will be made for a proper purpose and in accordance with Tennessee laws.


IT IS THEREFORE ORDERED THAT:

1. Kentucky Utilities Company is authorized to issue certain securities and assume certain obligations, each in an aggregate principal amount not to exceed \$50,000,000, in the manner set forth in its *Petition*.
2. The authorization and approval given hereby shall not be used by any party, including, but not limited to, any lending party, for the purpose of inferring an analysis or assessment of the risk involved to a purchaser of any KUC securities. Nothing contained herein

creates or is intended to create any liability on the part of the Tennessee Regulatory Authority, the State of Tennessee, or any political subdivision thereof for the transaction approved herein.


Deborah Taylor Tate, Director


Sara Kyle, Director


Ron Jones, Director